

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT DIVISION OF CREDIT UNIONS NEWSLETTER

Volume 4, Number 8 November 1, 2002

CREDIT UNION SURVEY

The Division of Credit Unions is conducting a survey to determine our level of performance. Questionnaires were mailed to all 166 credit unions on October 18, 2002.

The completed survey is to be returned by November 25, 2002 to the address on the reverse of the survey. Responses are anonymous with only the asset size of the credit union given. To ensure anonymity, the survey is to be returned to the address on the form using the enclosed self-addressed envelope.

DIRECTOR'S MEETINGS WITH CREDIT UNION OFFICIALS

During the first two weeks of December, the Director will hold eight meetings to discuss the results of the credit union survey, provide an update on the Division's risk focused examination program and hear from credit unions. **Afternoon and evening meetings will be held at each location.** So the Division can plan for the number attending, please call our office at (573) 751-3419 or e-mail cu@ded.state.mo.us and tell us the meeting you will attend. To confirm that a meeting will still be held in the event of inclement weather, call the Division at (573) 751-3419 on the day of the meeting.

TIME AND DATE	LOCATION
Tuesday December 3, 2002 2 to 4 PM 7 to 9 PM	Kansas City Joe Herndon Center Votech West 10322 East 350 Highway Raytown, MO 64133 (816) 737-6320
Wednesday December 4, 2002 2 to 4 PM 7 to 9 PM	Springfield University Plaza Hotel 333 John Q. Hammons Parkway Springfield, MO 65806 (417) 964-7333
Tuesday December 10, 2002 2 to 4 PM 7 to 9 PM	St. Louis Courtyard St. Louis Westport 11888 Westline Industrial St. Louis, MO 63146 (314) 997-1200
Wednesday December 11, 2002 2 to 4 PM 7 to 9 PM	Jefferson City Meeting Room, lower level Conservation Employees Credit Union 2901 West Truman Blvd. Jefferson City, MO 65102 (573) 751-4115

ALLOWANCE FOR LOAN AND LEASE LOSS

There has been some confusion recently both in Missouri and nationally regarding appropriate methods to determine funding of the Allowance for Loan and Lease Losses (ALLL).

The Division of Credit Unions' position is that there are several acceptable methods from which a credit union may choose. The proposed NCUA/FFIEC method outlined in NCUA Interpretive Ruling and Policy Statement 02-03 is one valid method. However, this is only one of several methods the credit union may choose to utilize. Examiners will continue to review the credit union's method for relevance to their particular situation. If the method is determined to be valid, the examiners will not take exception or require any adjustments.

Examiners will be looking for a reasonable, well-documented method. Key points for review will include the following:

- ❖ A written policy adopted by the board of directors outlining the method to be used.
- ❖ Documentation to support the balance in the Allowance account.
- ❖ Validation from the credit union's outside auditor that the credit union's method adheres to generally accepted accounting principles and that the account is adequately funded (*if the credit union receives an opinion audit*).

CREDIT UNION COMMISSION MEETS

The Credit Union Commission met on October 31, 2002 in Room 493/494, Harry S Truman Building, Jefferson City at 10:30 AM. Commission members in attendance were Pat Yokley, Bill Humpfer, Sharon Ichord, Cathy Stroud, Pat Macdonald, Lori Levine and John Hanneke. Others attending were Larry Giesing, St. Louis Postal Credit Union, Rosie Holub, Peggy Nalls and Mike Winter, Missouri Credit Union System, Christy Kincannon, Mike Wambolt, and Todd Jones, Attorney General's Office, Zurett Merridith, and John P. Smith, Division of Credit Unions.

Minutes from the August 8, 2002 Commission meeting was approved.

The Commission reviewed the field-of-membership expansion applications submitted by **St. Louis Postal Credit Union**. More than 3,000 potential members exist within the group. The Commission found the group met the criteria for an exemption from the limitations on groups in 4 CSR 105-3.040.

The Commission established the briefing schedule for the appeal of the Director's decision approving the field of membership expansion of **First Community Credit Union**.

The Commission received several reports:

- ✓ Condition report of Missouri chartered credit unions
- ✓ Update on appeals of the Director's decision approving the field of membership expansion for the following credit unions:
 - First Community Credit Union
 - Vantage Credit Union
 - City Utilities Employees Credit Union
 - Telcomm Credit Union
 - Central Communications Credit Union
 - South Community Credit Union
- ✓ Update on rule making in progress
- ✓ Changes in Sunshine Law
- ✓ State and federal legislative update

The next regular Commission meeting will be held on January 15, 2003 at 10:30 AM in Jefferson City, Missouri.

FIELD OF MEMBERSHIP APPLICATION UPDATE

Springfield Telephone Employees Credit Union (now **Telcomm Credit Union**) submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573 Area Code. The decision was published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association (MBA) and Century Bank of the Ozarks (CBO) filed an appeal of the decision to the Credit Union Commission. The Commission heard the appeal on March 29, 2001. On May 24, 2001 the Commission upheld the decision of the Director. On August 16, 2001, the decision was released and the Director filed **Springfield Telephone Employees Credit Union's** amended bylaws with the Secretary of State. On September 14, 2001, the MBA and CBO filed a petition for administrative review in Cole County Circuit Court. On November 19, 2001, a hearing was held before Judge Tom Brown, Division 1, Circuit Court of Cole County. The motion to refer the case to another division of the court was granted and the case was referred to Judge Byron Kinder, Division 2. A motion to dismiss the case for lack of standing was heard on January 3, 2002. On January 29, 2002 the court ruled the plaintiffs lack

standing to maintain causes of action set forth in their petition and ordered the plaintiffs' petition be dismissed. On March 11, 2002 the MBA and CBO filed an appeal of the decision in the Western Appellate Court of Appeals. Appellant's briefs were due June 3, 2002 with the respondent's briefs due July 3, 2002. A hearing by the Western Appellate Court was held on October 3, 2003 in Kansas City. Disposition of the case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/> case number WD61134.

South Community Credit Union submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the applications submitted by **South Community and Central Communications Credit Unions**. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the MBA and two local banks located in each of the two applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission received the record of appeals from all parties on May 24, 2001. On August 9, 2001 the Commission upheld the decisions of the Director. The written decisions were released on January 25, 2002. On February 21, 2002, the MBA and the local banks filed a petition for administrative review in Cole County Circuit Court. Both cases were assigned to Judge Tom Brown, Division 1. On April 17 the cases were reassigned to Judge Byron L. Kinder, Division 2 and a motion was entered to stay the proceedings until the outcome of the Springfield Telephone Employees case was decided. The cases can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; the case numbers are 02CV323402 and 02CV323401.

Educational Employees Credit Union (now **Vantage Credit Union**) submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. The application was published in the December 15, 2000 Missouri Register. The Director approved the application and his decision was published in the February 15, 2001 Missouri Register. On March 1, 2001 the MBA and two banks located in the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission received the record of appeal of **Educational Employees Credit Union** on October 19, 2001 and established briefing schedules. On March 5, 2002, the Commission dismissed the appeal due to lack of standing. On July 18, 2002 the MBA and the two banks filed a Petition in Mandamus in Cole County Circuit Court. The Commission has directed the attorneys representing them to proceed in their best judgement in addressing the Petition in Mandamus filed by the Missouri Bankers Association and the local bank in the **Educational Employees Credit Union** (now

Vantage Credit Union) field of membership application while keeping the Commission informed. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 02CV324797.

City Utilities Credit Union submitted an application for community residents and workers in Greene and Christian Counties. The application was published in the June 1, 2001 Missouri Register. The Director approved the application and his decision was published in the August 1, 2001 Missouri Register. On August 14, 2001 the MBA and a local bank located within the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. On August 8, 2002 the Commission heard and denied the appeal for lack of standing.

First Community Credit Union submitted an application for individuals who reside or work in the counties of Lincoln, Warren, Franklin, Washington, St. Francois, Ste. Genevieve, Pike, Montgomery, Gasconade and Crawford in the state of Missouri and the City of St. Louis. The application was published in the August 1, 2002 Missouri Register. The Director approved the application and his decision was published in the September 16, 2002 Missouri Register. On September 26, 2002 the MBA and a local bank located within the field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission at their October 31, 2002 meeting established the briefing schedule for the appeal..

Farmland Industries Credit Union submitted an application for current and retired employees, their immediate families and/or their heirs, administrators, executors, trustees or organizations or trusts participated in or comprised of such members of Farmland Industries, Inc., Cap Gemini Ernst & Young U.S. **Jefferson City Highway Credit Union** submitted an application for those persons living or working in Cole County, Missouri. These applications were published in the September 16, 2002 Missouri Register. The Director approved these applications and his decisions will be published in the November 15, 2002 Missouri Register. A fifteen day calendar day period for appeal must occur before the decisions are final.

FROM THE DIRECTOR

Please attend a meeting with me and our staff in December. This is your opportunity to let us hear from you.

On October 17th, International Credit Union Day, I spoke at the Kansas City Chapter Meeting. The following points were taken from my speech.

Volunteers

It is extremely important for credit unions to attract, train and maintain boards that reflect their fields of

membership. When the credit union accepts the responsibility of serving a low-income or underserved area, I urge them to expand their volunteers as well as their marketing area. Volunteers need to be a diverse group that represents the entire field of membership - a board that reflects the diversity of age, education, gender, ethnicity and other factors that make each credit union unique. A diverse board understands the members and can plan for the credit union's future and be ready to meet challenges and embrace opportunities.

Recruiting and training new board members is not easy, you should persist in seeking the best possible board for their unique needs. A continual operating nominations committee to seek out new board members can assist in identifying individuals to serve. Training is important. Your state and national associations have good tools to help in this process

Small Credit Unions

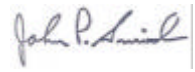
Small credit unions, historically, have played a critical role in the credit union community. They tend to serve niche markets and have personal relationships with their members. Those who know little about credit unions such as bankers and members of the legislature still assume that credit unions are, or should be, small. But the number of small credit unions is decreasing. Nationally the numbers of credit unions have decreased below 10,000 and Missouri is following the same trend. I'm told thirty years ago there were over 600 credit unions, today there are 166. As I speak, two mergers are on my desk to approve. The reasons for these mergers vary: the manager has left after many years and a replacement cannot be found; the credit union's sponsor has gone out of business; the members want services that the credit union cannot provide; or the credit union is becoming insolvent. On the other side of this issue, credit unions are becoming larger and more complex. Five of the 166 credit unions in Missouri hold nearly 50% of the assets.

Only two new credit unions were chartered in the past 10 years. I ask you to consider is a movement that grows in size with fewer but larger credit union a healthy situation? Should we devote more effort to forming new credit unions or continue to consolidate and grow the present credit unions? Even with bank consolidation, Missouri chartered three new banks in the past two years. I believe we must encourage and nurture the formation of new credit unions when opportunities present themselves.

Many small credit unions will continue to thrive in niche markets and to seek assistance in serving their members. They will need more help than ever competing in the financial services marketplace. Your work as volunteers, larger credit unions helping smaller, the Missouri Credit Union Association, and the Missouri Corporate Credit Union both help through the services and programs they provide. NCUA and the Division of Credit Unions also must do what they can to help small credit unions. They are the living embodiment of the "people helping people" philosophy that has made the

credit union movement the success it is today.

More next time!

A handwritten signature in blue ink, reading "John P. Smith", followed by a vertical line.

John P. Smith, Director